

**Access to Microfinance & Improved Implementation of Policy Reform
(AMIR Program)**

Funded By U.S. Agency for International Development

Business Planning and INT@J Workshop

Final Report

**Deliverable for Capital Markets Component, Task No. 5.3.1
Contract No. 278-C-00-98-00029-00**

March 2001

This report was prepared by Mr. Russell Diehl, in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan.

TABLE OF CONTENTS

- 1. Final Report for Business Planning and INT@J Workshop 2**

*Attachment 1: The Jordan Capital Markets: Review of Market Structure
Prepared by Russell Diehl*

- 2. Memo to INT@J on Venture Capital Analysis from Russell Diehl 18**

- 3. Memo to INT@J on Views on VC Incubators from Russell Diehl 20**

Attachment 2: Powerpoint presentation for INT@J prepared by Russell Diehl

“Read Books, Listen to Tapes, Attend Seminars-they are decades
Of wisdom reduced to invaluable hours,”
Mark Victor Hansen

The Seminar held at the Holiday Inn, Amman on Feb. 25 and Feb. 26, 2001 was conducted by Russell Diehl, with technical assistance provided by Karina Nersesian, Training Coordinator for the AMIR Capital Markets component.

The curriculum consisted of seven modules. All seven modules were provided to seminar members in hard copy in an attractive folder kit.

- The Jordan Capital Markets: Reviewed the current status of the institutional structure of the Market, briefly describing the JSE, ASE and the Depository. The prospective use and development of the Regional IT Trading Board was reviewed, emphasizing the potential for a coordinated IT trading market with Bahrain and Dubai. In addition, the general characteristics of an Initial Public Offering (IPO) were described and discussed.
- Investor Criterion: Analyzed the general characteristics of criterion wanted by most Venture Investors in the IT Sector.
- Business Plan Outline: A comprehensive 15-page outline of steps and formats for Business Plan development was reviewed and analyzed in power point presentation with seminar members participation.
- Twenty General Tips on the Business Plan Preparation: Discussed in the context of this one page compendium ideas and items to be used in Plan preparation.
- Venture Capital Analysis Memo: Memo discusses the current state, in general terms, of the Venture Capital industry.
- Views on the Venture Capital Incubators: Memo discusses the current state of the Incubator industry.
- Mission Statements: Analysis and discussion of the nature and purpose of writing Mission Statements.

Investor Criteria

Here is what business angels specifically look for in a business plan:

- An opportunity to add their own skills and creativity to the venture
- A trustworthy entrepreneur with a compatible personality
- A firm in a niche market
- An early-stage venture whose development they can still shape
- Healthy financial projections
- A venture that is within driving distance for the investor

This is what venture capitalists look for in a business plan:

- An experienced and well-balanced management team with a sound track record
- A firm with a unique concept or idea that meets an unmet consumer need
- A target market with almost unlimited growth potential
- A proven niche product with almost unlimited growth potential
- Strong competitive position
- Very healthy, but realistic, financial projections
- A firm that is usually developed and looking for expansion funds (not a start-up)
- Preferably a high-tech firm, but also firms in other sectors
- Detailed financial statements (preferably with milestone charts)
- A potential equity stake of around 30 percent of the company in exchange for funds (though there is much variation)
- Potential exit routes identifiable at the time of investment

Sample Table of Contents for a Business Plan

Cover letter	
Cover sheet	
Table of contents	
Executive summary	
Business concept	
Name	
Product or service	
Market and competition	
Management experience and expertise	
Business goals	
Summary of financial needs	
Earnings projections	
Market analysis	
Total market analysis	
Industry trends	
Target market	
Market competition	
Product or service analysis	
Product line or service description	
Proprietary nature	
Competitive threats	
Marketing strategy	
Overall strategy	
Pricing policy	
Selling, distribution, servicing methods	
Management	
Officers, organizational chart, and responsibilities	
Resumes of key personnel	
Composition of board of directors or advisors	
Financial plan	
Historical analysis	
Budget projections	
Income statement	
Balance sheets	
Cash flow	
Capital expenditures	
Explanation of projections	
Key business ratios	
Explanation of financing needs and anticipated use of funds	

BUSINESS PLAN OUTLINE

I. Executive Summary

The Executive Summary should not be a mere listing of topics contained in the body of your business plan but should emphasize the key issues presented.

A critical point that must be communicated in the Executive Summary is your company's distinctive competence—the factors that will make your business successful in a competitive market.

- A. The Purpose of the Plan
 1. Attract investors
 2. Document an operational plan for controlling the business
- B. Market Analysis
 1. The characteristics of your target market (demographic, geographic, etc.)
 2. The products or services you will offer to satisfy those needs
- C. The Company
 1. The needs your company will satisfy
 2. The products or services you will offer to satisfy those needs
- D. Marketing and Sales Activities
 1. Marketing strategy
 2. Sales strategy
 3. Keys to success in your competitive environment
- E. Product or Service Research and Development
 1. Major milestones
 2. Ongoing efforts
- F. Organization and Personnel
 1. Key managers and owners
 2. Key operations employees
- G. Financial Data
 1. Funds required and their use
 2. Historical financial summary
 3. Prospective financial summary (including a brief justification for prospective sales levels)

Note – In total, your Executive Summary should be less than three pages in length and provide the reader with a succinct overview of your entire business plan.

The Executive Summary should be followed by a brief table of contents designed to assist readers in locating specific sections in the plan. Detailed descriptions of the plan's contents should be avoided in the table of contents.

II. Market Analysis

The Market Analysis section should reflect your knowledge of your industry, and present highlights and analysis of your market research. Detailed market research studies, however, should be presented to your plan.

A. Industry Description and Outlook

1. Description of your primary industry
2. Size of the industry
 - a. Historically
 - b. Currently
 - c. In five years
 - d. In ten years
3. Industry characteristics and trends (Where is company in its life cycle?)
 - a. Historically
 - b. Currently
 - c. In the future
4. Major customer groups
 - a. Businesses
 - b. Governments
 - c. Consumers

B. Target Markets

1. Distinguishing characteristics of your primary target markets and market segments. Narrow your target markets to a manageable size. Efforts to penetrate target markets that are too broad are often ineffective.
 - a. Critical needs
 - b. Extent to which those needs are currently being met
 - c. Demographics
 - d. Geographic location
 - e. Purchasing decision-makers and influencers
 - f. Seasonal/cyclical trends
2. Primary/target market size
 - a. Number of prospective customers
 - b. Annual purchases of products or services meeting the same or similar needs as your products or services
 - c. Geographic area
 - d. Anticipated market growth
3. Market penetration—indicate the extent to which you anticipate penetrating your market and demonstrate why you feel that level of penetration is achievable based on your market research.
 - a. Market share
 - b. Number of customers
 - c. Geographic coverage
 - d. Rationale for market penetration estimates
4. Pricing/gross margin targets

- a. Price levels
 - b. Gross margin levels
 - c. Discount structure (volume, prompt payment, etc.)
5. Methods by which specific members of your target market can be identified
 - a. Directories
 - b. Trade association publications
 - c. Government documents
6. Media through which you can communicate with specific members of your target market
 - a. Publications
 - b. Radio/television broadcasts
 - c. Sources of influence/advice
7. Purchasing cycle of potential customers
 - a. Needs identification
 - b. Research for solutions to needs
 - c. Solution evaluation process
 - d. Final solution selection responsibility and authority (executives, purchasing agents, engineers, etc.)
8. Key trends and anticipated changes within your primary target markets
9. Secondary target markets and key attributes
 - a. Needs
 - b. Demographics
 - c. Significant future trends
- C. Market Test Results
 1. Potential customers contacted
 2. Information/demonstrations given to potential customers
 3. Reaction of potential customers
 4. Importance of satisfaction of targeted needs
 5. Test group's willingness to purchase products/services at various price levels
- D. Lead Times (amount of time between customer order placement and product/service delivery)
 1. Initial orders
 2. Reorders
 3. Volume purchases
- E. Competition
 1. Identification (by product line or service and market segment)
 - a. Existing
 - b. Market share
 - c. Potential (How long will your "window of opportunity" be open before your initial success breeds new competition? Who will your new competitors likely be?)
 - d. Direct
 - e. Indirect
 2. Strengths (competitive advantages)

- a. Ability to satisfy customer needs
 - b. Market penetration
 - c. Track record and reputation
 - d. Staying power (financial resources)
 - e. Key personnel
- 3. Weaknesses (competitive disadvantages)
 - a. Ability to satisfy customer needs
 - b. Market penetration
 - c. Track record and reputation
 - d. Staying power (financial resources)
 - e. Key personnel
- 4. Importance of your target market to your competition
- 5. Barriers to entry into the market
 - a. Cost (investment)
 - b. Time
 - c. Technology
 - d. Key personnel
 - e. Customer inertia (brand loyalty, existing relationships, etc.)
 - f. Existing patents and trademarks
- F. Regulatory Restrictions
 - 1. Customer or governmental regulatory requirements
 - a. Methods for meeting the requirements
 - b. Timing involved
 - c. Cost
 - 2. Anticipated changes in regulatory requirements

III. Company Description

The Company Description section must provide an overview of how all of the elements of your company fit together without going into detail, since most of the subjects will be covered in depth elsewhere in the plan.

- A. Nature of Your Business
 - 1. Marketplace needs to be satisfied
 - 2. Method(s) of need satisfaction (products and services)
 - 3. Individuals/organizations with the needs
- B. Your Distinctive Competencies (primary factors that will lead to your success)
 - 1. Superior customer need satisfaction
 - 2. Production/service delivery efficiencies
 - 3. Personnel
 - 4. Geographic location

IV. Marketing and Sales Activities

Both general and specific information must be included in this part of your plan. Your objective here is to describe the activities that will allow you to meet the sales and margin levels indicated in your prospective financial statements.

A. Overall Marketing Strategy

1. Marketing penetration strategy
2. Growth strategy
 - a. Internal
 - b. Acquisition
 - c. Franchise
 - d. Horizontal (providing similar products to different users)
 - e. Vertical (providing the products at different levels of the distribution chain)
3. Distribution channels (include discount/profitability levels at each stage)
 - a. Original equipment manufacturers
 - b. Internal sales force
 - c. Distributors
 - d. Retailers
4. Communication
 - a. Promotion
 - b. Advertising
 - c. Public relations
 - d. Personal selling
 - e. Printed materials (catalogues, brochures, etc.)

B. Sales Strategies

1. Sales force
 - a. Internal vs. independent representatives (advantages and disadvantages of your strategy)
 - b. Size
 - c. Recruitment and training
 - d. Compensation
2. Sales activities
 - a. Identifying prospects
 - b. Prioritizing prospects
 - c. Number of sales calls made per period
 - d. Average number of sales calls per sale
 - e. Average dollar size per sale
 - f. Average dollar size per reorder

V. Products and Services

Special attention should be paid to the users of your business plan as you develop this section. Too much detail will have a negative impact on most external users of the plan. Avoid turning this section of your business plan into a policies and procedures manual for your employees.

A. Detailed Product/Service Description (from the user's perspective)

1. Specific benefits of product/service
2. Ability to meet needs
3. Competitive advantages
4. Present stage (idea, prototype, small production runs, etc.)
- B. Product Life Cycle
 1. Description of the product/service's current position within its life cycle
 2. Factors that might change the anticipated life cycle
 - a. Lengthen it
 - b. Shorten it
- C. Copyrights, Patents, and Trade Secrets
 1. Existing or pending copyrights or patents
 2. Anticipated copyright and patent filings
 3. Key aspects of your products or services that cannot be patented or copyrighted
 4. Key aspects of your products or services that qualify as trade secrets
 5. Existing legal agreements with owners and employees
 - a. Nondisclosure agreements
 - b. Noncompete agreements
- D. Research and Development Activities
 1. Activities in process
 2. Future activities (include milestones)
 3. Anticipated results of future research and development activities
 - a. New products or services
 - b. New generations of existing products or services
 - c. Complementary products or services
 - d. Replacement products or services
 4. Research and development activities of others in your industry
 - a. Direct competitors
 - b. Indirect competitors
 - c. Suppliers
 - d. Customers

VI. Operations

Here again, too much detail can detract from the rest of your plan. Be certain that the level of detail included fits the specific needs of the plan's users.

- A. Production and Service Delivery Procedures
 1. Internal
 2. External (subcontractors)
- B. Production and Service Delivery Capability
 1. Internal
 2. External (subcontractors)
 3. Anticipated increases in capacity
 - a. Investment
 - b. New cost factors (direct and indirect)
 - c. Timing

C. Operating Competitive Advantages

1. Techniques
2. Experience
3. Economies of scale
4. Lower direct costs

D. Suppliers

1. Identification of the suppliers of critical elements of production
 - a. Primary
 - b. Secondary
2. Lead-time requirements
3. Evaluation of the risks of critical element shortages
4. Description of the existing and anticipated contractual relationships with suppliers

VII. Management and Ownership

Your management team's talents and skills are some of the few truly unique aspects of your company. If you are going to use your plan to attract investors, this section must emphasize your management's talents and skills, and indicate why they are a part of your company's distinctive competence that cannot easily be replicated by your competition. Remember that individuals invest in people not ideas.

Do not use this section of the plan to negotiate future ownership of the company with potential investors. Simply explain the current ownership.

A. Management Staff Structure

1. Management staff organization chart
2. Narrative description of the chart

B. Key Managers (complete resumes should be presented in an appendix to the business plan)

1. Name
2. Position
3. Brief position description, including primary duties
4. Primary responsibilities and authority
5. Unique skills and experiences that add to your company's distinctive competencies
6. Compensation basis and levels (be sure they are reasonable—not too high and not too low)

C. Planned Additions to the Current Management Team

1. Position
2. Primary responsibilities and authority
3. Requisite skills and experience
4. Recruitment process
5. Timing of employment
6. Anticipated contribution to the company's success
7. Compensation basis and levels (be sure they are in line with the market)

D. Legal Structure of the Business

1. Corporation
 - a. C corporation
 - b. S corporation
 2. Partnership
 - a. General
 - b. Limited
 3. Proprietorship
- E. Owners
1. Names
 2. Percentage ownership
 3. Extent of involvement with the company
 4. Form of ownership
 - a. Common stock
 - b. Preferred stock
 - c. General partner
 - d. Limited partner
 5. Outstanding equity equivalents
 - a. Options
 - b. Warrants
 - c. Convertible debt
 6. Common stock
 - a. Authorized
 - b. Issued
- F. Board of Directors
1. Names
 2. Position on the board
 3. Extent of involvement with the company
 4. Background
 5. Contribution to the company's success
 - a. Historically
 - b. In the future

VIII. Funds Required and Their Uses

Any new or additional funding reflected in your prospective financial statements should be discussed here. Alternative funding scenarios can be presented if appropriate, and corresponding prospective financial statements are presented in subsequent sections of your plan.

- A. Current Funding Requirements
1. Amount
 2. Timing
 3. Type
 - a. Equity
 - b. Debt
 - c. Mezzanine
 4. Terms

- B. Funding Requirements over the Next Five Years
 - 1. Amount
 - 2. Timing
 - 3. Type
 - a. Equity
 - b. Debt
 - c. Mezzanine
 - 4. Terms
- C. Use of Funds
 - 1. Capital expenditures
 - 2. Working capital
 - 3. Debt retirement
 - 4. Acquisitions
- D. Long-Range Financial Strategies (liquidating investors' positions)
 - 1. Going public
 - 2. Leveraged buyout
 - 3. Acquisition by another company
 - 4. Debt service levels and timing
 - 5. Liquidation of the venture

IX. Financial Data

The Financial Data section contains the financial representation of all the information presented in the other sections. Various prospective scenarios can be included, if appropriate.

- A. Historical Financial Data (past three to five years, if applicable)
 - 1. Annual statements
 - a. Income
 - b. Balance sheet
 - c. Cash flows
 - 2. Level of CPA involvement (and name of firm)
 - a. Audit
 - b. Review
 - c. Compilation
- B. Prospective Financial Data (next five years)
 - 1. Next year (by month or quarter)
 - a. Income
 - b. Balance sheet
 - c. Cash flows
 - d. Capital expenditure budget
 - 2. Final four years (by quarter and/or year)
 - a. Income
 - b. Balance sheet
 - c. Cash flows
 - d. Capital expenditure budget
 - 3. Summary of significant assumptions

4. Type of prospective financial data
 - a. Forecast (management's best estimate)
 - b. Projection ("what-if" scenarios)
 5. Level of CPA involvement
 - a. Assembly
 - b. Agreed-upon procedures
 - c. Review
 - d. Examination
- C. Analysis
1. Historical financial statements
 - a. Ratio analysis
 - b. Trend analysis with graphic presentation
 2. Prospective financial statements
 - a. Ratio analysis
 - b. Trend analysis with graphic presentation

X. Appendices or Exhibits

Any additional detailed or confidential information that could be useful to the readers of the business plan, but is not appropriate for distribution to everyone receiving the body of the plan can be presented here. Accordingly, appendices and exhibits should be bound separately from the other sections of the plan and provided on an as-needed basis to readers.

- A. Resumes of Key Managers
- B. Pictures of Products
- C. Professional References
- D. Market Studies
- E. Pertinent Published Information
 1. Magazine articles
 2. References to books
- F. Patents
- G. Significant Contracts
 1. Leases
 2. Sales contracts
 3. Purchase contracts
 4. Partnership/ownership agreements
 5. Stock option agreements
 6. Employment/compensation agreements
 7. Noncompete agreements
 8. Insurance
 - a. Product liability
 - b. Officers' and directors' liability
 - c. General liability

The copies of your plan should be controlled, and a distribution record should be kept. This process will allow you to update your distributed plans as needed and

help to ensure that your plan is not more widely distributed than you intend. In fact, many plans include ethical disclaimers that limit the ability of individuals distributing or otherwise copying the plan without the consent of the company's owners. Remember too that an appropriate private placement disclaimer should be included if the plan is being used to raise capital.

Twenty General Tips on Business Plan Preparation

Every business plan is a sales tool. It must look professional and read well to be effective. Here are some general guidelines that every entrepreneur must follow to develop the overall form of a business plan:

1. Develop your business plan yourself, hiring someone to assist you if necessary.
2. Keep the full plan as short as possible, focusing on key issues, not extraneous details.
3. Put yourself in the mind of the target investors.
4. Start with a short, compelling, and concise one-page executive summary to attract immediate attention.
5. Get straight to the point!
6. Articulate concisely a simple but powerful plan for an innovative solution to an emerging but important consumer problem that is still unmet.
7. Be specific about your market and your firm's fit within the environment. Show that you really understand the target market.
8. Leave out technical jargon; use plain English.
9. Be clear in your key assumptions, using independent sources to back them up.
10. Be realistic in all your projections.
11. Opening address risks and problems, and how they can best be overcome. Any good investor can identify them and will not invest until they are addressed.
12. Demonstrate that you have a management team that has the experience and balance to make the venture a success.
13. Include milestone charts for past events within the firm, and those projected for the future.
14. Clearly discuss the firm's financing needs, by addressing (Posner, 1993):

- How much money you need, being very specific about the amount sought
- What you plan to use the money for
- How this money will improve the business
- How the business will pay the money back
- If Plan A does not work, what the backup plan is

15. Prepare a time schedule for additional funds that are likely to be needed.
16. Show that you fully understand the needs and interests of investors. The entrepreneur must learn to think in terms of the investors' risks.
17. List possible exit strategies for investors.
18. Solicit comments and criticism from everyone you know.
19. Revise, revise, revise.
20. Try not to let the process of fundraising adversely affect your firm's ongoing operations.

Even though we feel that these tips are some of the most important ones an entrepreneur needs to follow in preparing a business plan, this list is clearly not exhaustive. In summary: try to write a short, concise, and thorough business plan addressing a solution to an unmet need in a growing and potentially profitable market. Such a plan may sound

more ideal than real, but then investors (especially venture capitalists) have high standards that must be met before their checkbook is put to good use.

AMIR PROGRAM

MEMO

Date: February 21, 2001

To: INT@J Members

CC:

From: Russell Diehl, Consultant, AMIR Program

Component: Capital Markets

Re: VC Analysis

Milestone:

After the biggest boom years ever, the venture-capital industry is headed for a shakeout that will have repercussions throughout the economy. During the past five years, the number of venture firms more than doubled to 1,010, the number of companies financed surged to 5,380 last year, and the amount of money invested soared nearly tenfold to \$103 billion.

Many of the companies that have gone public over the past two years are proving to be terrible businesses. Venture-backed companies taken public in 2000 fell an average of 24% from their offering price, the first negative return since 15 years ago. Investors have slammed the door shut on the market for initial public offerings. There was not a single dollar raised in the public markets by such upstarts in January. The industry will go through a downturn in performance, the number of companies invested in, the amount of money raised, and, ultimately, the number of firms that exist.

It is estimated that at least half of the 200 U. S. incubators, which provide money like traditional venture firms along with office space and other administrative services, will go under within two years. Many of the thousand or so venture firms also will close their doors once their current funds are depleted. The first to go will be fair-weather newcomers who never established strong track records. Even veterans are feeling the pain. Venture money was the primary fuel that powered the commercialization of the Internet and other transformation technologies.

Even more worrisome is a shift in the kind of investments. Venture firms are backing away from risky, change-the-world companies and focusing on safer, more incremental technologies. "The coming five years will probably be less an era of radical inventions than the completion of ideas from the last couple of years. The number of new companies receiving venture money dropped 61% during the downturn. Though Investors hope that the second half of this year will brighten, most expect the gloom to continue at least through 2001.

Investors are launching a revolution within. No more cutting checks to inexperienced entrepreneurs with unproven business plans an hour after hearing their pitch. Gone, too, are the lemming-like stampedes to create copycat startups, such as the 150 finance sites launched in the last year alone. And say adios to the days when a venture capitalist sat on more than a dozen boards, spreading himself so thin that the startups suffered.

A old rule of thumb has been that one-third of a firm's portfolio will tank completely, one-third will do fair-to-middlin, and the last third will yield at least one or two home runs that pay investors back and then some. VC's have slapped together so many companies that the failure rate for many of them over the next few years will likely be higher than the historical average of one-third.

Investors also are doing away with their lackadaisical approach to due diligence. Many took shortcuts during the Net frenzy. They didn't check out entrepreneurs thoroughly. They didn't conduct deep industry research. And they didn't verify technologies. Now, Investors will take their time before committing any capital. Now many will form research groups whose mission is to evaluate new opportunities and understand the competitive landscape and will create teams of specialists from different disciplines to work with portfolio companies so that they are not overwhelmed by the help any one company might need.

AMIR PROGRAM

MEMO

Date: February 21, 2001

To: INT@J Members

CC:

From: Russell Diehl, Consultant, AMIR Program

Component: Capital Markets

Re: Views On VC

Milestone:

Nearly half of all commercial incubators ran aground or cast away their original business models last year. Those that remain are pursuing new strategies to survive.

Unlike the warm, safe havens they are named for, independent, for-profit incubators faced a brutal 2000 that wiped out nearly half their population. Those that survived have changed their strategy and their expectations, and relabeled themselves a "venture catalyst," "full-service venture capital firm," or "accelerator." The hard lesson incubators learned last year is that incubation isn't the fail-safe, overnight-millionaire scheme it was once perceived as. Incubation is something that has value -- but not that much," says Nicole Weber, an analyst with IDC, an Internet research and advisory firm. "You can make a living incubating companies, but you can't make a killing. And the kind of people that have been doing Internet incubation don't just want to make a small profit." The number of incubators in the United States has fallen from a high of 230 in July 2000 to 138 in January of this year. That number is expect to fall to 76 by January 2002 and to just 55 in January 2003. For the purposes of this research incubators can be defined as companies that build businesses by investing cash and providing services. Those that survive 2001 will choose to shake intellectual property and technology assets from the trees of corporate and university research labs. That leaves many hopeful entrepreneurs with just the old-fashioned options -- angel investors and seed VC firms -- to fund their new businesses. Another option is not-for-profit municipal incubators, which rarely provide funding and often move at a slower pace.

The incubator is "battle-bruised" but has found new ways of improving its own revenues. Initially incubators provided services for free to portfolio companies, in exchange for a chunk of equity. Now companies will be charged at or slightly below market rate for services, which include recruiting, product development, and network operations. Some incubators have abandoned investing in outside startups altogether, claiming that model just wasn't lucrative. For example, instead of bringing seed-stage startups into the incubator, many incubators are linking up with major corporations to develop their unexploited research and development into new startups, rather than rely solely on their staff's ideas. Forming corporate partnerships is tougher than setting up an ad hoc incubator, incubators will face an uphill battle in establishing name recognition and

credibility with large, old-economy corporations.

Another strategy being pursued by some incubators is to incubate only companies in a narrow niche. In these cases, there is a concentration of domain expertise, technology, and contacts around a specific sector. There will be a continued demand for the types of services that incubators offer. Whether those services come from incubators, services firms, or venture capitalists remains to be seen. Unfortunately for entrepreneurs, their incubation choices are narrowing -- and many of those that are still in business want just the entrepreneurs, not their startups.